

FISCAL NOTE

SB 2733 - HB 3160

February 24, 2004

SUMMARY OF BILL:

- Requires a person to show evidence of compliance with the Financial Responsibility Law in order to register a motor vehicle in the state.
- Requires insurers to notify the Department of Safety and the insured within five days of the cancellation or termination of a motor vehicle insurance policy where no replacement policy is issued that the vehicle no longer meets the requirements of the Financial Responsibility Law and that the registration will automatically terminate in 10 working days from the date of notice unless the requirements are met. Requires the Department similarly notify individuals upon withdrawal of any cash deposit or bond that was used to satisfy the requirements of the Financial Responsibility Law.
- Requires the Department to notify individuals of the termination of their vehicle's registration.
- Specifies that insurers not providing the required notification shall remain liable to the extent of the original policy for any accident.
- Provides for the Department of Safety to send notice to drivers convicted of specified driving offenses when the Department records do not show compliance with the financial responsibility law that they must have their motor vehicle liability insurance carrier file a certification within 20 days showing the individual had coverage at the time of the offense. Specifies that if such certification is not received, the driver license of the individual will be suspended until the certification is received and the reinstatement fee paid. Provides that if the driver did not have any insurance in effect at the time of the offense, they must show proof of coverage obtained, pay the reinstatement fee and pass a driver license examination for reinstatement of their license.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$509,000 Recurring
\$145,800 One-Time

Decrease State Revenues- Net Impact - Exceeds \$2,000,000

Decrease Local Govt. Revenues - Exceeds \$5,000,000

Increase Local Govt. Expenditures - Exceeds \$100,000*

Estimate assumes:

- 12 new positions in the Department of Safety to handle notifications, phone inquiries, and other administrative tasks with salary and benefits of \$304,000.

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- one-time expenses associated with the additional positions for office equipment and supplies of \$35,800 and recurring expenses for postage, supplies, equipment maintenance and training of \$205,000.
- one-time increase in expenditures for computer system changes of \$110,000.
- at least 10% of the 4,563,000 current registered motor vehicles are driven by uninsured motorists and approximately 50% of these will not be able to maintain their registrations resulting in a decrease in motor vehicle registration fees of \$4,900,000 (\$21.50 X 228,100).
- a decrease in revenues from fines that will no longer be levied or collected for violations of the current financial responsibility law. The average fine for this offense is \$50 with 5,500 violations annually for a decrease of \$275,000. Clerks receive commission on fines collected.
- an increase in local government expenditures estimated to exceed \$100,000 statewide for the cost to county clerks to process registrations with proof of financial responsibility, mail back registrations not properly submitted, verification of financial responsibility, and a possible increase in in-person registrations.
- a decrease in local government revenues from wheel taxes lost when individuals are not eligible to register their vehicles. This decrease is estimated to exceed \$5,000,000 statewide based on 75% of the 228,100 vehicles being subject to the wheel tax and an average wheel tax of \$33.50.
- an increase in state revenues from insurance premium taxes paid as more than 200,000 motorists that currently do not have motor vehicle insurance obtain such insurance to maintain their registrations. This increase is estimate to be approximately \$3,000,000 annually.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director